

Paris, June 16th 2014

Electricity, Natural Gas and CO₂ market observatory (data as of March 31st 2014)

Electricity: the mild winter has affected the market prices on the downside, as well as the use of generation and interconnection infrastructures; the traded volumes on the wholesale market experienced a sharp rebound

Temperatures were particularly mild during the 1st quarter 2014, resulting in an electricity consumption 10% lower compared to the same quarter in 2013. On the electricity spot market (day-ahead and intraday), negotiated volumes amounted to 24.24 TWh during the 1st quarter 2014, i.e. a 6% increase from the previous quarter and a 3% increase from the same quarter last year. On the future market, trading volumes rose by 83% from the previous quarter, with nearly 215 TWh registered. The rise in trading volumes from the previous quarter is due to increasing volumes on maturities M+1 (+124%) and Y+1 (+63%), while negotiated volumes on maturity Q+1 slightly decreased (-13%). This progress in liquidity on the futures market is also observed compared to the 1st quarter 2013 (+43%).

Baseload Day-Ahead price on EPEX SPOT averaged at €38.3 /MWh, i.e. a 20% decrease from the previous quarter and a 29% drop compared to the 1st quarter 2013. **The baseload day-ahead price spread between France and Germany halved on quarterly average**, from €10.2 /MWh to €5.1 /MWh. On the future market, the price spread with Germany continued to grow in a context where calendar baseload prices reduced less in France (€-0.35 /MWh) than in Germany (€-1.6 /MWh), respectively establishing at €42.8 /MWh and €36.1 /MWh.

The average nuclear generation rate rose sharply during the first quarter 2014 (+31%) compared to the fourth quarter 2013 and reached 95.1% against 72.6% during the previous quarter. This increase comes along with a high availability rate of nuclear power plants (86.4% against 79% in the fourth quarter 2013). **Hydro storage level remained quite high for such a period of the year with a 55% storage level at the end of March** compared to a 45% storage level at the same period last year due to soft weather and moderate consumption during the winter.

The local climate and the high availability rate of French generating power plants affected significantly the French net balance; in fact **the net balance doubled compared to the first quarter 2013** with 14 TWh of net exports against 7.2 TWh. During the first quarter 2014, imports decreased of 21% compared to the fourth quarter 2013 whereas exports increased by 17% compared to the same quarter. These tendencies are opposite to these expected during a usually cold first quarter.

The concentration indices of the different market segments have changed little compared to the fourth quarter 2013, even though we observe a slight decrease among active producers during the first quarter 2014.

Natural gas: spot prices fell strongly during the quarter; the situation in Ukraine supports prices in the curve

Wholesale natural gas prices declined strongly during the first quarter 2014 across the European hubs. After setting around €27/MWh at the beginning of the quarter, spot prices drop to levels around €21/MWh. The main factor explaining this trend is the weak consumption resulting from an exceptionally mild winter. While the situation in Ukraine had a marginal effect on spot prices, it gave support to forward prices, especially those for delivery on the next winter, which reached an important premium over the spot.

The mildness of the winter and the falling LNG prices in Asia improved the supply of the South zone in France since January. PEG Sud prices set under €24/MWh, a level which had not been reached since March 2012.

The first quarter 2014 was also characterized by a weak utilization of storages in France and the rest of Europe, which ended the winter season with particularly high stock levels. On the other hand, LNG supplies in France remain at historically low levels.

Trading volumes in the intermediated wholesale markets increased compared to the previous quarter but declined compared to the first quarter 2013. While the trading activity on the Exchange platform keeps growing (for both spot and futures segments), those on the brokers platforms decreased, especially for the spot segment.

CO₂: carbon prices and total traded volume increased due to the vote in favour of the backloading measure and its implementation

EUA spot prices increased during the first quarter 2014 with an average price of €5.8/tCO₂, i.e. an increase of 23% versus the fourth quarter 2013 and an increase of 26% versus 1st quarter 2013, mainly due to the implementation of the backloading measure of 400 M tons of CO₂ for 2014. Besides, **the CER spot prices decreased to €0.3/tCO₂ during the first quarter** versus 0.50 €/tCO₂ during the previous quarter.

Total volume of EUA traded noticeably increased during the first quarter 2014, by 32% (at 3,297 Mt) versus the previous quarter and by 12% versus the 1st quarter 2013. Volumes traded via exchanges and brokers increased by +28% (at 2,701 Mt) and +50% (at 596 Mt) respectively versus the previous quarter. Exchanges and brokers accounted respectively for 82% and 18% of EUA traded volumes during the first quarter 2014. **CER traded volumes decreased during the first quarter** versus the previous quarter (-28% at 135 Mt). Exchanges and brokers accounted respectively for 66% and 34% of CER traded volumes.

During the first quarter 2014, EUA volumes traded on exchanges were mainly term contracts – around 260 Mt were spot contracts, 1,631 Mt were Dec. 2014 contracts and 343 Mt were Dec. 2015 contracts.

Following the votes from the European Parliament and the Council in favour of implementing the backloading measure, the exchange platforms **ECX and EEX reviewed their auctioning schedule for 2014**. From April there were no more auctions on behalf of Poland on the EEX platform. These will resume in 2015.

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